GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3220
ANSWERED ON:07.12.2007
RECOVERY OF LOAN BY ICICI BANK
Gadhavi Shri Pushpdan Shambhudan;Joshi Shri Pralhad Venkatesh;Khanna Shri Avinash Rai;Kharventhan Shri Salarapatty Kuppusamy

Will the Minister of FINANCE be pleased to state:

(a) whether the Government is aware that the private sector banks are using musclemen and goonda`s to recover loans;

(b) if so, details thereof;

(c) whether the Government is aware that most of such complaints have been registered against the ICICI bank;

(d) if so, details thereof; and

(e) the action taken by the Government against such complaints and banks?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) to (d) Reserve Bank of India (RBI) has taken up with banks, for appropriate action, the media reports in respect of the banks engaging musclemen and harassing the defaulting customers for recovery of loans. It has been observed by RBI that most of such reported cases of alleged harassment of defaulting customers involved ICICI Bank Ltd. In many such instances, the excesses were alleged to have been committed by the recovery agents of the respective banks.

(e) In view of the alleged harassment of customers by ICICI Bank`s recovery agents, and the judgement of Hon`ble Supreme Court, on an appeal (No. 267 of 2007) filed by ICICI Bank Ltd. against the order of the Allahabad High Court in respect of a case filed by one of the borrowers of the bank, Smt. Prakash Kaur, the bank was advised by RBI in August 2007 to investigate and take action against the recovery agents involved, review at the highest levels the system of appointing / reviewing performance of recovery agents, undertake comprehensive review of customer complaints, etc. The bank was advised by Reserve Bank of India (RBI) in October, 2007 that if such incidents recur in future, RBI would be constrained to take stern action.

In the Mid-Term Review of Annual Policy Statement (dated October 30, 2007), RBI has observed that in view of the rise in the number of litigations against banks for engaging recovery agents in the recent past, it is felt that the adverse publicity could result in serious reputational risk for the banking sector as a whole. RBI has urged banks to follow prescribed specific considerations while engaging recovery agents and has clarified that complaints received regarding abusive practices followed by a bank`s recovery agent would invite serious supervisory disapproval. RBI would consider imposing a temporary ban (or even a permanent ban in case of persistent abusive practices) for engaging recovery agents on those banks where strictures have been passed / penalties have been imposed by a High Court / Supreme Court or against its Directors / Officers with regard to the abusive practices followed by their recovery agents.

RBI has also placed on its website on 30th November, 2007, draft Guidelines for Banks engaging Recovery Agents. These guidelines cover various operational issues concerning engagement of recovery agents by the banks, methods to be followed by them for recovery of dues, training for the recovery agents, procedure for taking possession of property mortgaged / hypothecated to the banks, etc. The banks have also been advised to strictly abide by the codes pertaining to collection of dues.